

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
Before the Director of the Department of Insurance and Financial Services

In the matter of:

Lighthouse Outpatient Center
Petitioner

File No. 21-1593

v

State Farm Mutual Automobile Insurance Company
Respondent

Issued and entered
this 19th day of January 2022
by Sarah Wohlford
Special Deputy Director

ORDER

I. PROCEDURAL BACKGROUND

On October 7, 2021, Lighthouse Outpatient Center (Petitioner) filed with the Department of Insurance and Financial Services (Department) a request for an appeal pursuant to Section 3157a of the Insurance Code of 1956 (Code), 1956 PA 218, MCL 500.3157a. The request for an appeal concerns the determination of State Farm Mutual Automobile Insurance Company (Respondent) that the Petitioner overutilized or otherwise rendered or ordered inappropriate treatment, products, services, or accommodations, or that the cost of the treatment, products, services, or accommodations was inappropriate under Chapter 31 of the Code, MCL 500.3101 to MCL 500.3179.

The Petitioner's appeal is based on the denial of a bill pursuant to R 500.64(3), which allows a provider to appeal to the Department from the denial of a provider's bill. The Respondent issued the Petitioner a bill denial on July 27, 2021. The Petitioner now seeks reimbursement in the full amount it billed for the dates of service at issue.

The Department accepted the request for an appeal on November 23, 2021. Pursuant to R 500.65, the Department notified the Respondent and the injured person of the Petitioner's request for an appeal on November 29, 2021 and provided the Respondent with a copy of the Petitioner's submitted documents. The Respondent filed a reply to the Petitioner's appeal on December 20, 2021.

The Department assigned an independent review organization (IRO) to analyze issues requiring billing and coding expertise relevant to this appeal. The IRO submitted its report and recommendation to the Department on January 12, 2022.

II. FACTUAL BACKGROUND

This appeal concerns the reduced reimbursement amount for psychotherapy services rendered on June 10 and 25, 2021 under Current Procedural Terminology (CPT) code 90834 with an AJ modifier. In its *Explanation of Review* (EOR) letter, the Respondent based its reimbursement amount on the Fair Health Charge Benchmark Database. The Respondent indicated in the EOR that it paid \$287.86 of the Petitioner's \$394.50 total charged amount. The Respondent also stated in a letter to the Petitioner dated September 10, 2021 that it paid what it believes "to be reasonable charges incurred for reasonably necessary" services regarding the injured person.

With its appeal request, the Petitioner stated that it considers its "rates reasonable based on what is needed to cover our cost" and that all services provided "should be paid in full."

In its reply, the Respondent reaffirmed its position and confirmed that the amount referenced in the EOR was paid to the Petitioner for the psychotherapy services rendered on the dates of service at issue. The Respondent further stated in its reply:

According to FAIR Health the geo zips are: "geographic areas, generally defined by the first three digits of a zip code. Classifying charges by geo zips ensures that the benchmarks are relevant to a specific area". Pricing by [Fair Health] is based on dates of services in which medical services are provided for the geo zip and charged data from providers in the geographic location. Effective on 06/01/2019, payment is based on the 80th percentile, which represents that 80 percent of the fees in the benchmark database for provider specialties in a geographic area are at, or below the rate provided."

III. ANALYSIS

Director's Review

Under MCL 500.3157a(5), a provider may appeal an insurer's determination that the provider overutilized or otherwise rendered inappropriate treatment, products, services, or accommodations, or that the cost of the treatment, products, services, or accommodations was inappropriate under Chapter 31 of the Code. This appeal involves a dispute regarding inappropriate cost.

The Director assigned an IRO to review the case file. In its report, the IRO reviewer concluded that, based on the submitted documentation, that the Respondent's reimbursement amount to the Petitioner was appropriate based on generally accepted standards of coding and billing.

The IRO reviewer is a certified professional coding consultant. In its report, the IRO reviewer referenced R 500.61(i), which defines "medically accepted standards" as the most appropriate practice guidelines for the treatment provided. These may include generally accepted practice guidelines, evidence-based practice guidelines, or any other practice guidelines developed by the federal government or national

or professional medical societies, board, and associations. The IRO reviewer relied on the Fair Health Charge Benchmark Database for its recommendation.

The IRO reviewer explained that the 80th percentile of charges for the procedure code and dates of service at issue is \$139.00 per unit for the Petitioner's geozip. The IRO reviewer opined that "based on the Fair Health Charge Benchmark Database 80th percentile, the services were paid accurately for [the dates of service at issue.]" The IRO reviewer further stated that the Respondent "allowed more than the 80th percentile of the Fair Health allowed amount for the services at issue in this appeal."

The IRO reviewer recommended that the Director uphold the Respondent's determination that cost of services rendered on the dates of service at issue were inappropriate.


IV. ORDER

The Director upholds the Respondent's determination dated July 27, 2021.

This order applies only to the treatment and dates of service discussed herein and may not be relied upon by either party to determine the injured person's eligibility for future treatment or as a basis for action on other treatment or dates of service not addressed in this order.

This is a final decision of an administrative agency. A person aggrieved by this order may seek judicial review in a manner provided under Chapter 6 of the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.301 to 24.306. MCL 500.244(1); R 500.65(7). A copy of a petition for judicial review should be sent to the Department of Insurance and Financial Services, Office of Research, Rules, and Appeals, Post Office Box 30220, Lansing, MI 48909-7720.

Anita G. Fox
Director
For the Director:

X 

Sarah Wohlford
Special Deputy Director
Signed by: Sarah Wohlford